

MANAGEMENT DISCUSSION AND ANALYSIS

November 3, 2004

Management's Discussion and Analysis (MD&A) is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of YPG LP and Yellow Pages Income Fund during the nine-month period ended September 30, 2004. This review should be read in conjunction with our unaudited interim consolidated financial statements and accompanying notes for the period ended September 30, 2004, and with our annual consolidated financial statements and MD&A for the year ended December 31, 2003. In this MD&A, we, us, our and YPG mean YPG LP and its subsidiaries, and the Fund means Yellow Pages Income Fund and its subsidiaries. Quarterly reports, the annual report and supplementary information can be found under "financial reports" on our corporate Web site at www.ypg.com. Additional information can be found on SEDAR at www.sedar.com.

The MD&A is presented in the following sections:

- **Overview of our business**
- **Performance highlights**
- **Non-GAAP financial measures**
- **Analysis of operating and financial results**
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- **Financial position**
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- **Changes in accounting policies**
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OVERVIEW OF OUR BUSINESS

YPG

We are Canada's largest directories publisher and the exclusive owner of the Yellow Pages™, Pages Jaunes™, and Walking Fingers & Design™ trademarks in Canada. Through our predecessor businesses, we have been an industry leader since we published our first directory in 1908. We are the official publisher of Bell Canada's directories in Canada as well as for a number of other incumbent telephone company directories that have leading market share in their markets. We are also the managing partner of Aliant ActiMedia, the incumbent telephone directories publisher in Atlantic Canada, in which we hold a 12.86% ownership interest. YPG published 236 different telephone directories in 2003.

We also operate the leading online commercial directories in Canada, YellowPages.ca™, Canada411.ca, CanadaTollFree.ca and the CanadaPlus.ca group of city sites. This online presence allows us to offer bundled packages of print and online directory advertising products. Our network of Web sites catered to an Internet audience of over 4.1 million unique visitors in September 2004 (Source: comScore Media Metrix).

Business Strategy

Our business strategy aims to connect buyers and sellers while further developing our leading directory franchise in Canada through the continued execution of organic growth strategies and the pursuit of external growth opportunities.

We continually pursue initiatives to further grow our recurring and diversified revenue base while maintaining our industry-leading margins and significant free cash flow generation.

Since our acquisition of the directories businesses from affiliates of Bell Canada on November 29, 2002 (the "Acquisition"), we have implemented a business strategy to improve our operations and to achieve sustainable growth in revenues and profitability. Most notably, we have substantially completed our transition from a wholly-owned subsidiary of Bell Canada to a publicly-listed operating entity. Contemporaneously, we have implemented new sales and marketing initiatives, continued to enhance our competitive position through long-term contracts and other cost savings initiatives and expanded our online presence.

Our focus remains on executing our organic growth strategy and extending our product and service offerings for the benefit of both our advertisers and our users. We may also consider expanding our geographic coverage through selective investments and business acquisitions and believe that the diversity of our customer base, geographic coverage and product offerings enhance the overall stability and potential growth of our earnings and cash flow. Capital raising activities conducted since the Fund's inception in 2003 have solidified our capital structure for future growth and permit us to consider investments or business acquisitions that could further strengthen our market position while being accretive to cash available for distributions to unitholders.

Strategic Imperatives

The following critical initiatives underpin our strategy for maximizing the long-term sustainability of our business:

- Reinforce our position as the leading publisher of directories in Canada;
- Increase the efficiency and productivity of our sales force;
- Improve the effectiveness of our workflows and business processes; and
- Enhance our financial flexibility while reducing our cost of capital.

We believe that the execution of our business strategy combined with the achievement of the above mentioned initiatives should result in sustainable free cash flow generation.

The Fund

The Fund, established as an unincorporated open-ended limited purpose trust to invest in YPG, commenced operations on August 1, 2003 through the completion of a \$1 billion initial public offering. On December 17, 2003, the Fund completed a follow-on offering and issued additional units to the public for gross proceeds of \$1.5 billion. On June 11, 2004, YPG became a wholly-owned subsidiary of the Fund through a third public offering, by issuing additional units generating gross proceeds of \$743.3 million.

Distributions to Unitholders

The distribution policy of the Fund is to make distributions to unitholders of its available cash to the maximum extent possible. The Fund makes equal monthly cash distributions to unitholders of record on the last business day of each month, net of estimated cash amounts required for expenses and other obligations of the Fund, potential cash redemptions of units and any tax liability.

The Board of Directors periodically reviews cash distributions taking into account our current and prospective performance. Some of the factors considered in making decisions related to distributions include cash amounts to service debt obligations, maintenance capital expenditures, taxes and other items considered to be prudent. In addition, we believe that underlying trends in revenues and EBITDA⁽¹⁾ should result in sustainable increases in distributions.

(1) see definition of Adjusted Revenues, EBITDA and Adjusted EBITDA on page 4

PERFORMANCE HIGHLIGHTS

This section reviews the progress made during the nine-month period ended September 30, 2004 in executing our organic growth strategy and cost containment program. The impact of management initiatives on the results of operations and financial condition in 2004 are also discussed in the remaining pages of this MD&A.

We continue to focus on initiatives which increase revenues and reduce operating costs while reinforcing our position as the leading publisher of both print and online directories in Canada. Key initiatives undertaken by us have resulted in strong operating and financial performance for both the quarter and the first nine months of 2004.

Sales coverage and pricing models within our business continue to improve. The release of new our neighbourhood directories, the introduction of premium products and the introduction of our Directory plus offer have also provided benefits to us. Premium products are advertising options that allow businesses to advertise in a variety of high visibility locations in our directories. Directory plus, our print-internet bundle, seamlessly integrates both our print and electronic media. New initiatives including product enhancements and distribution agreements with a major search engine and portals will increase our print and electronic directory usage which is the key driver in our advertising activities.

The number of searches on our internet-based directories increased by 55.6 % from 30.4 million in the third quarter of 2003 to 47.3 million in the third quarter of 2004 (Source: ProCase Consulting Inc.). Our Internet-based directories are offered as a complement to our print directories and as such this increased usage supports overall usage of our directories advertising products.

Continued reductions in our cost base realized through business process re-engineering and new technology allowed us to increase productivity levels and improve efficiencies.

Total debt as at September 30, 2004 of approximately \$1.1 billion represents a solid capital structure with a financial leverage ratio of 2.8 times Adjusted EBITDA.

<i>(in thousands of Canadian dollars, except unit information)</i>				
	Three-month period ended September 30, (unaudited)		Nine-month period ended September 30, (unaudited)	
	2004	2003	2004	2003
YPG				
Revenues	\$ 166,967	\$ 154,546	\$ 497,178	\$ 450,502
Income (loss) from operations	\$ 92,393	\$ (88,503)	\$ 268,665	\$ (100,863)
Adjusted Revenues ⁽¹⁾	\$ 166,967	\$ 160,976	\$ 497,178	\$ 476,959
Adjusted EBITDA ⁽¹⁾	\$ 98,174	\$ 94,204	\$ 290,049	\$ 276,166
Adjusted EBITDA margin	58.8%	58.5%	58.3%	57.9%
Cash available for distributions	\$ 84,621	\$ 67,093	\$ 255,404	\$ 150,568
The Fund ⁽²⁾				
Distributions declared	\$ 79,088	\$ 13,992	\$ 193,847	\$ 13,992
Distributions paid and payable per unit	\$ 0.2298	\$ 0.1376	\$ 0.6762	\$ 0.1376

(1) see definition of Adjusted Revenues, EBITDA and Adjusted EBITDA on page 4

(2) comparative figure covers period from commencement of operations August 1, 2003 to September 30, 2003

NON-GAAP FINANCIAL MEASURES

YPG

Our acquisition of the directories businesses from affiliates of Bell Canada on November 29, 2002 was accounted for using the purchase method of accounting which resulted in the elimination of deferred revenues and deferred publication costs related to those directories published prior to the acquisition. These deferred revenues would have been recognized in 2003 while the deferred publication costs would have been recognized in 2003 and 2004, had the acquisition not occurred. As a result, reported revenues in 2003 and expenses in 2003 and 2004 are not representative of revenues and expenses that would have otherwise been reported and are not representative of revenues and expenses that will be reported in subsequent periods.

Below are reconciliations of the reported results under Canadian generally accepted accounting principles ("GAAP") to the adjusted results had the Acquisition not occurred. The adjusted results are derived by excluding from the reported amounts the impact of purchase accounting, transition expenses relating to the Acquisition which are non-recurring, such as costs incurred to become a stand alone entity, and restructuring and special charges when applicable.

In order to provide a better understanding of our results, we use the term EBITDA (earnings before interest, taxes, depreciation and amortization). We define EBITDA as revenues less operating costs which represents income/(loss) from operations before depreciation, amortization, restructuring and special charges. YPG also uses the terms Adjusted Revenues and Adjusted EBITDA (revenues and EBITDA adjusted for certain items indicated below which management believes are reflective of ongoing operations). These terms do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other issuers. We believe EBITDA, Adjusted Revenues and Adjusted EBITDA to be important measures as they allow us to assess the operating performance of the ongoing business.

Three-month period ended September 30, 2004 (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Three-month period ended September 30, 2004 (as reported)	Elimination of purchase accounting impact	Transition expenses	Adjusted
Revenues	\$ 166,967	\$ -	\$ -	\$ 166,967
Operating costs	69,480	553	(1,240)	68,793
EBITDA	97,487	(553)	1,240	98,174
Depreciation and amortization	5,094	(1,980)	-	3,114
Income from operations	\$ 92,393	\$ 1,427	\$ 1,240	\$ 95,060

Three-month period ended September 30, 2003 (unaudited) <i>(in thousands of Canadian dollars)</i>					
	Three-month period ended September 30, 2003 (as reported)	Elimination of purchase accounting impact	Transition expenses	Restructuring and special charges	Adjusted
Revenues	\$ 154,546	\$ 6,430	\$ -	\$ -	\$ 160,976
Operating costs	54,691	12,704	(623)	-	66,772
EBITDA	99,855	(6,274)	623	-	94,204
Depreciation and amortization	52,222	(50,105)	-	-	2,117
Restructuring and special charges	136,136	-	-	(136,136)	-
(Loss) income from operations	\$ (88,503)	\$ 43,831	\$ 623	\$ 136,136	\$ 92,087

Nine-month period ended September 30, 2004 (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Nine-month period ended September 30, 2004 (as reported)	Elimination of purchase accounting impact	Transition expenses	Adjusted
Revenues	\$ 497,178	\$ -	\$ -	\$ 497,178
Operating costs	204,752	5,014	(2,637)	207,129
EBITDA	292,426	(5,014)	2,637	290,049
Depreciation and amortization	23,761	(14,937)	-	8,824
Income from operations	\$ 268,665	\$ 9,923	\$ 2,637	\$ 281,225

Nine-month period ended September 30, 2003 (unaudited) <i>(in thousands of Canadian dollars)</i>					
	Nine-month period ended September 30, 2003 (as reported)	Elimination of purchase accounting impact	Transition expenses	Restructuring and special charges	Adjusted
Revenues	\$ 450,502	\$ 26,457	\$ -	\$ -	\$ 476,959
Operating costs	149,135	56,140	(4,482)	-	200,793
EBITDA	301,367	(29,683)	4,482	-	276,166
Depreciation and amortization	266,094	(261,958)	-	-	4,136
Restructuring and special charges	136,136	-	-	(136,136)	-
(Loss) income from operations	\$ (100,863)	\$ 232,275	\$ 4,482	\$ 136,136	\$ 272,030

ANALYSIS OF OPERATING AND FINANCIAL RESULTS

The Fund

<i>(in thousands of Canadian dollars, except unit information)</i>			
	Three-month period ended September 30, 2004 (unaudited)	Nine-month period ended September 30, 2004 (unaudited)	Period from commencement of operations, August 1, 2003 to September 30, 2003 (unaudited)
Revenues	\$ 159,484	\$ 470,922	\$ -
Income (loss) from operations	\$ 38,505	\$ 97,623	\$ (40)
Share of earnings from equity investee	\$ -	\$ -	\$ 233
Net earnings	\$ 41,368	\$ 68,640	\$ 193
Net earnings per unit	\$ 0.12	\$ 0.24	\$ 0.002
Diluted earnings per unit	\$ 0.12	\$ 0.24	\$ 0.002

The Fund was created on August 1, 2003. From inception to September 30, 2003, we accounted for our investment in YPG using the equity method of accounting. Under this method, the Fund's 30.56% share of the earnings of YPG, adjusted for the amortization of certain intangible assets and other items arising from the use of purchase accounting was reflected in the statement of earnings of the Fund as "Share of earnings from equity investee". The results of operations of the Fund are entirely dependent on the performance of YPG. YPG's results are presented and commented on below in order to provide information on the underlying operations of this investment.

YPG

You should refer to the information presented in tabular form in the section entitled "Non-GAAP Measures" of this MD&A for a more meaningful discussion on the reported revenues and income (loss) from operations.

Revenues (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Three-month period ended September 30,		Nine-month period ended September 30,	
	2004	2003	2004	2003
Revenues	\$ 166,967	\$ 154,546	\$ 497,178	\$ 450,502
Adjusted Revenues	\$ 166,967	\$ 160,976	\$ 497,178	\$ 476,959

Our Adjusted Revenues grew by \$6.0 million or 3.7% during the third quarter of 2004 and by \$20.2 million or 4.2% for the nine-month period ended September 30, 2004 when compared to the same periods of the preceding year. The increase in revenues continues to emanate from increased advertising revenues in our print directories arising from new pricing models, improved sales coverage and neighbourhood directories.

Online advertising revenues from our internet-based directories, which are offered as a complement to our print directories increased by \$2.4 million to \$5.6 million in the third quarter of 2004, a 75% increase compared to the same quarter in 2003. During the nine-month period ended September 30, 2004, we reported an increase of \$4.1 million in online advertising revenues to \$14.8 million, representing an increase of 38%, over the same period in 2003.

EBITDA (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Three-month period ended September 30,		Nine-month period ended September 30,	
	2004	2003	2004	2003
EBITDA	\$ 97,487	\$ 99,855	\$ 292,426	\$ 301,367
Adjusted EBITDA	\$ 98,174	\$ 94,204	\$ 290,049	\$ 276,166
Adjusted EBITDA margin	58.8%	58.5%	58.3%	57.9%

Please refer to the "Non-GAAP Measures" section for a discussion on EBITDA. Adjusted EBITDA of \$98.2 million for the third quarter of 2004 increased by \$4.0 million or 4.2% over the same period last year. For the nine-month period ended September 30, 2004, the Adjusted EBITDA increased by \$13.9 million or 5% year over year.

The improvement in Adjusted EBITDA margin was mainly driven by cost containment efforts as we continued to benefit from our cost savings initiatives undertaken in 2003 such as the renegotiation of our printing outsourcing arrangements, the optimization of our operational processes and an internal reorganization.

Other items (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Three-month period ended September 30,		Nine-month period ended September 30,	
	2004	2003	2004	2003
EBITDA, as reported	\$ 97,487	\$ 99,855	\$ 292,426	\$ 301,367
Depreciation and amortization	5,094	52,222	23,761	266,094
Restructuring and special charges	-	136,136	-	136,136
Income (loss) from operations	92,393	(88,503)	268,665	(100,863)
Financial charges	8,556	26,142	38,020	107,388
Earnings (loss) before income taxes and non-controlling interest	83,837	(114,645)	230,645	(208,251)
Provision for (recovery of) income taxes	6,869	(43,873)	14,990	(95,631)
Non-controlling interest	-	(157)	-	(1,568)
Net earnings (loss)	\$ 76,968	\$ (70,615)	\$ 215,655	\$ (111,052)

Depreciation and amortization

The substantial decrease in depreciation and amortization for the three-month and the nine-month periods ended September 30, 2004, is mainly due to lower amortization on certain intangibles.

On November 29, 2002 when we acquired the directory businesses from Bell, intangible assets such as customer contracts and customer relationships were recorded at fair value and were amortized over their expected useful lives, pro rata relative to revenues, for a period not exceeding 24 months. The unamortized balance of those particular intangibles as at January 1, 2004 was minimal and as such, the related amortization decreased by \$48.5 million in the third quarter of 2004 to \$1.8 million and by \$247.4 million in the nine-month period ended September 30, 2004 to \$14.4 million compared with the same periods of the previous year.

Financial charges

Interest expense decreased by 57.7%, from \$24.7 million in the third quarter of 2003 to \$10.4 million in the third quarter of 2004 and by 74.8% from \$117.5 million during the nine-month period ended September 30, 2003 to \$29.7 million during the nine-month period ended September 30, 2004. The decrease in interest expense is a result of a lower level of borrowings, coupled with lower interest rates under our new credit facilities, commercial paper program and Medium Term Notes.

Foreign exchange gains of \$17.6 million were recognized in the first nine months of 2003 resulting from foreign exchange fluctuations associated with the U.S. denominated long-term debt for the period ended January 24, 2003, the date at which the debt became fully hedged. The new credit facilities, Medium Term Notes and commercial paper program are denominated in Canadian dollars.

Income taxes

The combined provincial and federal tax rates were 33.9% and 35.3% in 2004 and 2003, respectively. The effective tax rates so far this year were 8.2% for the third quarter and 6.5% year-to-date. The legal entity YPG LP is a limited partnership and as such is not subject to income taxes whereas its subsidiaries are subject to income tax. The variance between the statutory and the effective tax rates is primarily due to intercompany revenues which are not taxable when received by YPG LP.

ANALYSIS OF QUARTERLY RESULTS

This section would ordinarily provide information for the eight most recently completed quarters. YPG acquired the directories businesses from Bell on November 29, 2002 and as such no quarterly financial information for the fiscal year 2002 is available.

Revenues (unaudited) <i>(in thousands of dollars)</i>	Three-month periods ended						
	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003	March 31, 2003
Revenues	\$ 166,967	\$ 165,888	\$ 164,323	\$ 162,056	\$ 154,546	\$ 149,661	\$ 146,295
Elimination of purchase accounting impact	-	-	-	1,201	6,430	9,120	10,907
Adjusted Revenues	\$ 166,967	\$ 165,888	\$ 164,323	\$ 163,257	\$ 160,976	\$ 158,781	\$ 157,202

Adjusted Revenues have increased progressively quarter over quarter. These revenues are recognized over the life of the directories and, as such, sequential quarterly growth has been relatively stable.

EBITDA (unaudited) (in thousands of dollars)							
<i>Three-month periods ended</i>							
	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003	March 31, 2003
Income (loss) from operations	\$ 92,393	\$ 89,845	\$ 86,427	\$ 69,795	\$ (88,503)	\$ 3,109	\$ (15,469)
Adjustments to income (loss) from operations:							
Depreciation and amortization	5,094	7,078	11,589	21,675	52,222	95,353	118,519
Restructuring and special charges	-	-	-	7,979	136,136	-	-
EBITDA	97,487	96,923	98,016	99,449	99,855	98,462	103,050
Elimination of purchase accounting impact	(553)	(1,488)	(2,973)	(4,946)	(6,274)	(10,056)	(13,353)
Transition expenses	1,240	834	563	1,678	623	2,283	1,576
Adjusted EBITDA	\$ 98,174	\$ 96,269	\$ 95,606	\$ 96,181	\$ 94,204	\$ 90,689	\$ 91,273
Adjusted EBITDA margins	58.8%	58.0%	58.2%	58.9%	58.5%	57.1%	58.1%

Within each financial year, Adjusted EBITDA increased steadily and is in line with growth in Adjusted Revenues, with the exception of the three-month period ended June 30, 2003 during which we recorded a higher pension-related expense. In comparing the first quarter of 2004 to the fourth quarter of 2003, there is some cyclicity caused by the sequence of book closings and as such expenses are not incurred uniformly throughout the year. A more meaningful comparison is to compare quarters year over year.

Other items (unaudited) (in thousands of dollars)							
<i>Three-month periods ended</i>							
	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003	March 31, 2003
Revenues	\$ 166,967	\$ 165,888	\$ 164,323	\$ 162,056	\$ 154,546	\$ 149,661	\$ 146,295
Income (loss) from operations	92,393	89,845	86,427	69,795	(88,503)	3,109	(15,469)
Income (loss) before taxes and non-controlling interest	83,837	70,425	76,383	56,591	(114,645)	(47,723)	(45,883)
Net earnings (loss)	\$ 76,968	\$ 70,037	\$ 68,650	\$ 54,116	\$ (70,615)	\$ (22,141)	\$ (18,296)
Total assets	\$ 3,052,763	\$ 3,021,533	\$ 2,989,487	\$ 2,990,821	\$ 3,034,418	\$ 3,042,817	\$ 3,167,164
Long-term debt and other liabilities	\$ 1,081,399	\$ 1,081,724	\$ 1,053,885	\$ 1,053,992	\$ 1,200,000	\$ 1,965,372	\$ 2,064,001

We incurred restructuring and special charges in the third and fourth quarters of 2003 which negatively impacted the results of those quarters while lower interest expense positively impacted results over the last four quarters. The increase in financial charges in the second quarter of 2004 is mainly due to a write-off of certain deferred financial charges following the refinancing of our credit facilities, thereby negatively impacting our results, particularly in comparison with the previous quarter. The amortization of customer contracts and relationships on a pro rata basis with related revenues combined with the impact of purchase accounting has resulted in an improvement in net earnings quarter over quarter.

FINANCIAL POSITION

The Fund

Assets <i>(in thousands of Canadian dollars)</i>		
	As at September 30, 2004 (unaudited)	As at December 31, 2003
Total assets	\$ 4,867,850	\$ 4,462,744

The balance sheet of the Fund is presented on a consolidated basis. Intangibles and goodwill amounted to approximately \$4.5 billion as at September 30, 2004 and approximately \$4 billion at December 31, 2003. These intangibles and goodwill result from the step-acquisitions of YPG and the acquisition of the directories businesses by YPG.

Capital structure <i>(in thousands of Canadian dollars)</i>		
	As at September 30, 2004 (unaudited)	As at December 31, 2003
Cash and cash equivalents	\$ 43,790	\$ 45,545
Long-term debt, including short term portion	1,082,940	1,055,106
Total net debt (net of cash and cash equivalents)	1,039,150	1,009,561
Non-controlling interest	-	585,615
Unitholders' Equity	3,550,496	2,422,481
Total capitalization	\$ 4,589,646	\$ 4,017,657
Net debt to total capitalization	22.6%	25.1%

Unitholders' Equity increased by \$1.1 billion during the nine-month period ended September 30, 2004. The exchange of units by BCE Inc. and TMB Directories Inc. during the first nine months of 2004, for all of their units of YPG LP and common shares of YPG GP into the equivalent number of units of the Fund in accordance with the Investor Liquidity Agreement entered into at the time of the Fund's initial public offering, increased Unitholders' Capital by \$538.2 million. On June 11, 2004 the Fund also completed an offering of 66,666,600 units for net proceeds of \$713.6 million. The net proceeds were then used to purchase an equivalent number of units of YPG LP and common shares in YPG General Partner Inc. held by entities controlled by funds managed by Kohlberg Kravis Roberts & Co. These increases combined with net earnings of \$68.6 million were partially offset by monthly distributions totaling \$193.8 million for the nine-month period ended September 30, 2004.

Following the June 11, 2004 transaction mentioned above, YPG LP became a wholly-owned subsidiary of the Fund resulting in the elimination of the non-controlling interest.

YPG

Assets <i>(in thousands of Canadian dollars)</i>		
	As at September 30, 2004 (unaudited)	As at December 31, 2003
Total assets	\$ 3,052,763	\$ 2,990,821

Working capital excluding cash was \$74.3 million as at September 30, 2004 compared to \$36.8 million as at December 31, 2003. This investment in working capital arises from an increase in our accounts receivable caused by a one day delay in a monthly payment due September 30, 2004 from one of our large commercial relationships. Payment in full was received on October 1, 2004.

Capital structure <i>(in thousands of Canadian dollars)</i>			
	As at September 30, 2004 (unaudited)		As at December 31, 2003
Cash and cash equivalents	\$	43,790	\$ 45,545
Long-term debt, including short term portion		1,082,940	1,055,106
Total net debt (net of cash and cash equivalents)		1,039,150	1,009,561
Partners' Equity		1,772,121	1,774,730
Total capitalization	\$	2,811,271	\$ 2,784,291
Net debt to total capitalization		37.0%	36.3%

Total net debt increased by approximately \$30 million as a result of the late payment from one of our large commercial relationships as mentioned above.

Partners' Equity decreased by \$2.6 million during the first nine months of 2004. The exchange of units during the nine-month period ended September 30, 2004 whereby certain optionholders exercised 1,398,238 options into 1,398,238 shares of YPG Holdings Inc. and which were subsequently exchanged into 1,398,238 units of the Fund, in accordance with the Optionholders' Liquidity Agreement, increased the Partners' Capital by \$16.1 million. This amount combined with net earnings of \$215.7 million for the nine-month period was offset by monthly distributions totaling \$232.4 million.

CAPITAL RESOURCES AND LIQUIDITY

The Fund

Distributions to unitholders declared amounted to \$79.1 million (\$0.2298 per unit) during the third quarter of 2004 and \$193.8 million (\$0.6762 per unit) during the nine-month period ended September 30, 2004. The September 30, 2004 distribution of \$26.4 million (\$0.0766 per unit) was paid on October 15, 2004. The current monthly distribution of \$0.0766 per unit represents cash distributions of \$0.92 per unit annually. Distributions by the Fund are entirely dependent on the distributions and the performance of YPG, a discussion of which follows below.

YPG

Cash flow from operating activities (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Three-month period ended September 30,		Nine-month period ended September 30,	
	2004	2003	2004	2003
Cash flow from operations	\$ 87,344	\$ 23,071	\$ 265,348	\$ 131,056
Change in operating assets and liabilities	(33,410)	(10,493)	(41,174)	(37,285)
Cash flow from operating activities	\$ 53,934	\$ 12,578	\$ 224,174	\$ 93,771

Interest paid during the three-month periods ended September 30, 2004 and September 30, 2003 amounted to \$2.6 million and \$37.2 million, respectively. For the first nine months of the year, interest paid amounted to \$15.4 million in 2004 and \$123.4 million in 2003. Lower levels of borrowings resulting from the issuance of partnership units combined with reduced borrowing rates contributed to improve the cash generated from operating activities during the third quarter and the nine-month period ended September 30, 2004 compared to the same periods in 2003. The change in the timing of interest payments following the refinancing of credit facilities into Medium Term Notes contributed to the lower level of payments during the third quarter of 2004 which reflects the new semi-annual payment schedule.

Cash flow from investing activities (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Three-month period ended September 30,		Nine-month period ended September 30,	
	2004	2003	2004	2003
Acquisition of capital assets	\$ (6,536)	\$ (3,211)	\$ (17,855)	\$ (7,816)
Proceeds from lease inducements	1,000	-	6,614	-
Other	-	-	(25)	(972)
Cash flow from investing activities	\$ (5,536)	\$ (3,211)	\$ (11,266)	\$ (8,788)

Acquisition of capital assets (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Three-month period ended September 30,		Nine-month period ended September 30,	
	2004	2003	2004	2003
Pre-funded	\$ 3,463	\$ -	\$ 6,538	\$ -
Maintenance	2,006	2,200	2,855	5,491
New initiatives	3,191	-	4,044	-
Leasehold improvements net of lease inducements	474	-	533	-
Total	9,134	\$ 2,200	\$ 13,970	\$ 5,491
Adjustment to reflect expenditures on a cash basis	(3,598)	1,011	(2,729)	2,325
Acquisition of capital asset, net of lease inducements	\$ 5,536	\$ 3,211	\$ 11,241	\$ 7,816

Pre-Funded (transition)

Pursuant to the Acquisition and the Offering, \$10.0 million was set aside as pre-funded capital for the purpose of transitioning to a stand-alone entity.

Maintenance

Maintenance capital expenditures are for ongoing operations to maintain the integrity of our infrastructure. Such expenditures are not expected to exceed \$10 million per annum over the foreseeable future.

New Initiatives (transformation)

In our efforts to optimize processes and reduce costs, we have invested in selected new initiatives.

Leasehold Improvements

As a result of the move to our new headquarters, significant renovations in the form of leasehold improvements were made to our other offices. A substantial portion of these leasehold expenditures will be reimbursed to us through tenant inducements and we expect that the level of expenses associated with these leasehold improvements will be significantly reduced as they are completed during the second half of 2005.

Cash flow from financing activities (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Three-month period ended September 30,		Nine-month period ended September 30,	
	2004	2003	2004	2003
(Repayment) issuance of long-term debt, net	\$ (412)	\$ (828,565)	\$ 23,672	\$ (925,146)
Distributions	(79,078)	(24,674)	(231,201)	(24,674)
Issuance of units, net of issuance cost	-	936,852	-	936,852
Deferred financing costs and other	(2,676)	(16,057)	(7,134)	(24,163)
Cash flows from financing activities	\$ (82,166)	\$ 67,556	\$ (214,663)	\$ (37,131)

We improved our capital structure during the third quarter of 2003 by paying down our initial debt with proceeds received from the initial public offering of the Fund and the closing of new credit facilities. Since the initial public

offering of the Fund on August 1, 2003, we have continued to execute our financing plan to further reduce our borrowings, diversify our funding sources and extend the average term of our indebtedness.

During the second quarter of 2004, we issued Medium Term Notes in the principal aggregate amount of \$750 million. Proceeds from this offering of Medium Term Notes consisted of \$450 million 5-year notes and \$300 million 10-year notes. Net proceeds of approximately \$742 million were used to refinance bank borrowings and for general corporate purposes.

Our debt funding sources remain unchanged since the second quarter and are currently comprised of the following:

- A commercial paper program and associated standby lines of credit with an authorized limit of \$300 million. The program is rated R1 (low) by DBRS. Commercial paper issuance amounted to \$275 million at September 30, 2004.
- A Medium Term Notes program with a potential total issuance during a period of 25 months following the final shelf short-form prospectus of \$1 billion. The program is rated BBB (high) by DBRS and BBB- by Standard & Poor's. Medium term notes issued as at September 30, 2004 amounted to \$750 million.
- Bank credit facilities consisting of \$50 million of borrowings under the unsecured Term A loan facility maturing August 1, 2007 and a \$100 million unsecured revolving term facility maturing August 1, 2007 (undrawn at September 30, 2004).

During the second quarter of 2004, we entered into interest rate swap agreements for a total nominal amount of \$150 million that convert the applicable interest rate from fixed to floating. On October 25, 2004, we entered into forward start swap agreements effective April 21, 2006 for a total nominal amount of \$150 million that convert the applicable interest rate from floating to fixed. We also amended our existing swaps by fixing the floating rates up to the 21st of April, 2006 based on the current yield curve.

Cash and cash equivalents at September 30, 2004 totalled \$43.8 million compared with \$45.5 million at December 31, 2003. On October 1, 2004 we received late payment of \$41.6 million from one of our large commercial relationships. On October 15, 2004 YPG paid distributions declared in September 2004 totalling \$26.4 million.

Commitments

No material changes occurred in relation with contractual obligations during the nine-month period ended September 30, 2004.

Distributable cash

Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts as an indicator of financial performance and it should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Distributable cash may differ from similar calculations as reported by other similar entities and accordingly may not be comparable to distributable cash as reported by such entities.

We believe that distributable cash calculated from Adjusted EBITDA is the most appropriate measure to help readers evaluate the performance of YPG on an ongoing basis considering the comparability of that measure from period to period. In addition, this measure is commonly used by investors, management and other stakeholders to evaluate the ongoing performance of the Fund.

Distributable cash (unaudited) <i>(in thousands of Canadian dollars)</i>				
	Three-month period ended September 30,		Nine-month period ended September 30,	
	2004	2003	2004	2003
Adjusted EBITDA	\$ 98,174	\$ 94,204	\$ 290,049	\$ 276,166
Less:				
Maintenance capital expenditures ⁽¹⁾	2,006	2,200	2,855	5,491
Interest	10,737	24,826	30,712	119,373
Other	810	85	1,078	734
Cash available for distributions	\$ 84,621	\$ 67,093	\$ 255,404	\$ 150,568
Cash available for distributions per unit	\$ 0.25	\$ 0.20	\$ 0.74	\$ 0.45

(1) Amounts restated to reflect capital expenditures incurred during the period. Previous methodology reflected capital expenditures on a cash basis.

RELATED PARTY TRANSACTIONS

For the nine-month periods ended September 30, 2004 and September 30, 2003, we incurred consulting and monitoring fees of \$0.5 million and \$0.8 million, respectively, with Kohlberg Kravis Roberts & Co ("KKR") and placement fees of \$0.2 million and \$0.4 million, respectively, with Ontario Teachers' Pension Plan Board ("Teachers"). YPG had agreed to pay such fees related to consulting, monitoring and placement fees. These agreements and related fees were terminated effective June 11, 2004. As such, there was no expense incurred in the third quarter of 2004 as opposed to \$0.3 million and \$0.1 million for KKR and Teachers, respectively, for the same period in 2003.

CHANGE IN ACCOUNTING POLICIES

The consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual consolidated financial statements with the exception of the following:

Stock-based compensation plan

Effective January 1, 2004, we adopted the amendment to CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments". The amendment, issued in November 2003, requires the expensing of all stock-based compensation awards for fiscal years beginning on or after January 1, 2004 using the fair value method. We have chosen to adopt the amendment using the retroactive without restatement transitional alternative as permitted by the standard.

Impairment of long-lived assets

Effective January 1, 2004, we adopted Section 3063 of the CICA Handbook, "Impairment of long-lived assets". An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value. The adoption of this standard did not have any impact on the financial statements.

Hedging relationships

As at January 1, 2004, the Partnership adopted Accounting Guideline ("AcG-13"), Hedging Relationships. The guideline applies to all existing and new hedging relationships and provides additional documentation and designation requirements for hedge accounting and requires regular and periodic assessment of effectiveness. Hedge accounting is to be discontinued for any hedging relationships that do not meet the requirements of the guideline.

RISKS AND UNCERTAINTIES

For a detailed discussion on risks and uncertainties, readers should review the risk factors section of the Annual Information Form of the Fund. There were no significant changes in risks and uncertainties during the period.

OUTLOOK

A number of initiatives have been developed and implemented since the Acquisition to strengthen our business model and to improve returns to unitholders. Many of the supply-chain, marketing, sales, workforce reduction and consolidation initiatives implemented during the course of 2003 as well as the business process re-engineering and new technology implemented in 2004 have accrued to the income statement in the nine months of the year and are expected to fully accrue to the income statement in the last quarter of 2004 and during 2005. We remain confident in our ability to sustain the current level of EBITDA margins and free cash flow generation.

The strong differentiation of YPG in the marketplace positions us to maintain our leading market share position and strong consumer usage of our directories. We will continue to extend our product and service offerings through premium products and our neighbourhood directories, and believe that premium products and other product line extensions offer an opportunity for us to grow our business organically. Our goal with online properties is to further increase traffic through the upgrading of our search capabilities and the maintenance of distribution agreements with leading search engines and portals while offering print-Internet bundles that seamlessly integrate our print and online offerings. Based on actual results and on our organic growth strategy, we anticipate that Adjusted Revenues will grow by 3% to 4% in 2004.

The significant changes being undertaken at YPG have resulted in a strong improvement in our operating and financial metrics since the Acquisition. We continue to anticipate that in 2004 EBITDA on a comparable basis, adjusted to eliminate the purchase accounting impact and for transition and non-recurring expenses, will grow between 4% and 5% as we continue to realize benefits from our initiatives.

YPG management also provided preliminary guidance for 2005. As a result of our organic growth strategy, we expect Adjusted Revenues to grow between 3% and 4%, and EBITDA on a comparable basis, adjusted for the elimination of purchase accounting, should continue to grow between 3% and 5%.

Cash Distributions to Unitholders

The cash available for distributions amounted to \$84.6 million or \$0.25 per unit for the third quarter and \$255.4 million or \$0.74 per unit for the first nine months of the year. Following the initial public offering of the Fund, the initial annualized monthly distributions to unitholders amounted to \$0.825 per unit. Since then, distribution per unit has increased by 11.5% to reach \$0.92 beginning with the May 2004 distribution. For the nine-month period ended September 30, 2004, the cash available for distributions reflected maintenance capital spending of \$2.9 million and cash interest expense of \$30.7 million.

Our distribution policy takes into account the current and prospective performance of YPG, including cash amounts to service debt obligations, maintenance capital expenditures, taxes and other factors considered to be prudent. We remain confident in our ability to grow the Fund's distributions by approximately 4% annually.

Forward-looking statements

This MD&A contains forward-looking statements about YPG's objectives, strategies, financial condition, results of operations and businesses. These statements are "forward-looking" as they are based on our current expectations about our business and the markets we operate in, and on various estimates and assumptions.

- Forward-looking statements in this MD&A describe our expectations on November 3, 2004.

- Our actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize.
- Forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business.
- We disclaim any intention and assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.
- Risks that could cause our actual results to materially differ from our current expectations are discussed under risks and uncertainties which refer the reader to the risk factors section of the Fund's Annual Information Form.